

Message Text

UNCLASSIFIED

PAGE 01 BONN 15752 01 OF 02 041843Z

46

ACTION TRSE-00

INFO OCT-01 EUR-25 EA-11 ISO-00 AID-05 CIAE-00 COME-00

EB-12 FRB-03 INR-11 NSAE-00 RSC-01 XMB-07 OPIC-12

SP-03 CIEP-03 LAB-06 SIL-01 OMB-01 AGR-20 NSC-07

SS-20 STR-08 CEA-02 L-03 PRS-01 PA-04 USIA-15 DRC-01

ABF-01 SAJ-01 /185 W

----- 002385

R 041823Z OCT 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC 5490

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

UNCLAS SECTION 01 OF 02 BONN 15752

DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: FINANCIAL DEVELOPMENTS (WEEK ENDING OCTOBER 3)

REF.: BONN 15137

1. HERSTATT LIQUIDATION STATUS: ACCORDING TO PRESS REPORTS, THE CONSERVATIVE FINAL CALCULATION OF HERSTATT ASSETS AND LIABILITIES COMPLETED AT THE END OF SEPTEMBER WILL PERMIT SETTLEMENTS AVERAGING AT LEAST 44.9 PERCENT. SLIGHTLY MORE THAN ORIGINALLY CONTEMPLATED IN THE SETTLEMENT PROPOSAL PRESENTED BY GUENTHER VOGELSANG (SEE UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BONN 15752 01 OF 02 041843Z

REFTEL). STILL REMAINING IS THE APPROVAL BY CREDITORS

OF THE VOGELSANG PROPOSAL AND SOME GROUPS MAY HOLD OUT FOR A BETTER SETTLEMENT. DR. HANS GERLING, WHO VERBALLY AGREED TWO WEEKS AGO TO TRANSFER IN TRUST 50 PERCENT OF THE GERLING INSURANCE GROUP TO A CONSORTIUM OF GERMAN BANKS, HAS NOW FORMALLY SIGNED AN AGREEMENT MAKING THIS POSSIBLE. THE TRANSFER IS EXPECTED TO RAISE AN ESTIMATED DM 200 MILLION WHICH GERLING WILL ADD TO THE ASSETS OF HERSTATT.

2. CHANCELLOR SCHMIDT REPEATS HIS OPPOSITION TO MAJOR DOMESTIC ECONOMIC BOOST AT THIS TIME. IN AN ARTICLE PUBLISHED IN THE LATEST SPD MONTHLY MAGAZINE SCHMIDT AGAIN EXPRESSED HIS OPPOSITION NOW TO A LARGE SCALE PROGRAM TO BOOST THE GERMANY DOMESTIC ECONOMY AND STATED THAT THE GOVERNMENT WOULD STAND FAST ON ITS STABILITY PROGRAM FOR THE TIME BEING. HE SAID THE SPECIAL PROGRAM WHICH WILL PUMP DM 950 MILLION IN NEW INVESTMENTS INTO THE LAENDER AND LOCALITIES IS SUFFICIENT FOR THE TIME BEING.

3. FOREIGN EXCHANGE MARKET. DURING THE REPORTING WEEK SPOT AND FORWARD DOLLARS DEVELOPED AS FOLLOWS:

| FORWARD DOLLARS (DISCOUNTS IN PCT.P.A.) | | | | |
|--|-----------|-----------|-------------|--|
| SPOT DOLLARS | | ONE-MONTH | THREE-MONTH | |
| SEPT 27 | DM 2.6595 | 2.9 | 2.5 | |
| 30 | 2.6527 | 2.5 | 2.5 | |
| OCT 1 | 2.6496 | 2.0 | 2.4 | |
| 2 | 2.6510 | 1.6 | 2.2 | |
| 3 | 2.6465 | 1.8 | 2.3 | |

WITHIN THE JOINT FLOAT THE DEUTSCHEMARK REMAINED THE WEAKEST CURRENCY AND ALL FLOAT CURRENCIES WERE ABOVE THEIR DM CENTRAL RATES. BELGIAN FRANCS, DUTCH GUILDERS AND NORWEGIAN CROWNS WERE AT THEIR UPPER DM INTERVENTION RATES, FORCING THE BUNDESBANK TO SELL THESE CURRENCIES.

4. MONEY MARKET. DESPITE A FURTHER REDUCTION OF 8 PERCENT IN BANK MINIMUM RESERVE REQUIREMENTS EFFECTIVE OCTOBER 1, THE MONEY MARKET REMAINED TIGHT. DURING THE REPORTING WEEK FRANKFURT INTER-BANK MONEY RATES DEVELOPED AS FOLLOWS:

UNCLASSIFIED

PAGE 03 BONN 15752 01 OF 02 041843Z

TOBER 1 THE GERMAN MONEY MARKET REMAINED TIGHT. DURING THE REPORTING WEEK FRANKFURT INTER-BANK MONEY RATES DEVELOPED AS FOLLOWS:

| CALL MONEY ONE-MONTH MONEY THREE-MONTH MONEY | | | |
|--|-------|---------|---------|
| SEPT 27 | 9-9.5 | 9.2-9.5 | 9.4-9.7 |
| 30 | 9-9.4 | 9.2-9.5 | 9.4-9.7 |

OCT 1 9-9.4 9.2-9.5 9.6-9.8
2 9-9.5 9.2-9.5 9.6-9.8
3 9-9.5 9.2-9.5 9.6-9.8

5. MONETARY RESERVES. IN THE THIRD WEEK OF
SEPTEMBER (EXCLUDING SEPTEMBER 23) MONETARY RESERVES
DECLINED BY DM 0.4 BILLION TO DM 87.3 BILLION. A LARGE
PART OF THE DECLINE IS DUE TO TRANSACTIONS WHICH TOOK
PLACE DURING THE SECOND WEEK OF THE MONTH BUT RECORDED
IN THE THIRD. HOLDINGS OF LIQUID FOREIGN EXCHANGE ROSE
BY DM 26.3 MILLION, WHILE GERMANY'S IMF GOLD TRANCHE
POSITION FELL BY DM 10 MILLION AND THE SDR HOLDINGS

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 BONN 15752 02 OF 02 041840Z

46

ACTION TRSE-00

INFO OCT-01 EUR-25 EA-11 ISO-00 AID-05 CIAE-00 COME-00

EB-12 FRB-03 INR-11 NSAE-00 RSC-01 XMB-07 OPIC-12

SP-03 CIEP-03 LAB-06 SIL-01 OMB-01 AGR-20 NSC-07

SS-20 STR-08 CEA-02 L-03 PRS-01 PA-04 USIA-15 ABF-01

SAJ-01 DRC-01 /185 W

----- 002361

R 041823Z OCT 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC 5491

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

UNCLAS SECTION 02 OF 02 BONN 15752

REMAINED UNCHANGED.

6. BANK LIQUIDITY. IN THE THIRD WEEK OF SEPTEMBER BANK LIQUIDITY INCREASED BY DM 1.7 BILLION. THE MAJOR FACTORS INCREASING LIQUIDITY WERE THE WITHDRAWAL BY BANKS OF DM 4.9 BILLION FROM THEIR MINIMUM RESERVE HOLDINGS AT THE BUNDESBANK AND AN INCREASE IN CURRENCY IN CIRCULATION (DM 2.7 BILLION). THE PRINCIPLE FACTORS REDUCING LIQUIDITY INCLUDE THE ABOVE MENTIONED DECLINE IN BUNDESBANK MONETARY RESERVES AND THE LARGE INCREASE (DM 6.9 BILLION) IN OFFICIAL ASSETS HELD AT THE BUNDESBANK.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BONN 15752 02 OF 02 041840Z

THE LATTER WAS DUE TO LARGE TAX PAYMENTS. BANKS REDUCED LOMBARD BORROWINGS AT THE BUNDESBANK BY DM 1.8 BILLION AND AT THE SAME TIME INCREASED REDISCOUNT BORROWINGS BY DM 0.1 BILLION.

7. BOND MARKET. CONTINUING A DEVELOPMENT NOTICED LAST WEEK, PRICES OF 6 PERCENT DOMESTIC BONDS DECLINED SLIGHTLY. DURING THE REPORTING WEEK FRANKFURT INTERBANK MONEY RATES DEVELOPED AS FOLLOWS:

8 PERCENT 7 PERCENT 6 PERCENT

| | | | |
|---------|-------|-------|-------|
| SEPT 27 | 11.27 | 11.19 | 10.47 |
| 30 | 11.28 | 11.17 | 10.49 |
| OCT 1 | 11.31 | 11.21 | 10.60 |
| 2 | 11.30 | 11.19 | 10.59 |
| 3 | 11.30 | 11.21 | 10.59 |

HILLENBRAND

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BANKS, LIQUIDITY (MONETARY), BUSINESS LOSSES
Control Number: n/a
Copy: SINGLE
Draft Date: 04 OCT 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BONN15752
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740281-0871
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741073/aaaackou.tel
Line Count: 208
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION TRSE
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: : BONN 15137
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 04 MAR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04 MAR 2002 by chappeld>; APPROVED <24 JUL 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FINANCIAL DEVELOPMENTS (WEEK ENDING OCTOBER 3)
TAGS: EFIN, GE, HERSTATT BANK
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005